

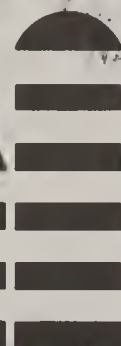
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FARMERS' NEWSLETTER

Soybeans



AUG 10 '79

July 79/S-8

CURRENT

Early summer news revealed that for the first time, farmers figure to harvest more acres in soybeans this year than they will in corn for grain.

Based on that prospect, you also know this could be the year the soybean crop tops 2 billion bushels, up from last year's 1.84 billion.

With that kind of surge, will soybean growers be left holding the bag pricewise? Thanks to very strong demand, it doesn't appear likely, at least for a while.

Fewer old-crop beans will be left over at the end of this summer, and the United States is about the only major producer with beans to sell until Argentine and Brazilian crops start entering world markets next spring. Farm prices for the upcoming season may average nearly as high as they have this year, near \$7.

But as you are well aware, a big crop and a pretty good price don't automatically mean good net returns unless demand is strong. The rising costs of farming can dim an otherwise bright situation for soybeans. Production costs, we

estimate, may be up a tenth from year-ago levels.

Also, don't forget that domestic supplies are being swelled by competing oilseeds--the sunflower, cottonseed, and peanuts.

Two Billion Bushels?

It's far from certain yet. In fact, the first official crop estimate for soybeans won't be made until August 10. Until then, forecasters are projecting a probable range of 1.9 to 2.1 billion bushels. That's based mainly on what we know so far about acreage. It does not take weather or other considerations into account.

Farmers planted 71.7 million acres to soybeans, compared with 64 million in 1978. Continued high soybean prices and reduced participation in the feed grain set-aside program helped boost plantings.

Roughly 6 percent of this year's soybean area will be planted right

U.S. OILSEED ACREAGES CLIMB SHARPLY

	1978 ¹	1979 ²	Change 1979/78
	Million acres		Percent
Soybeans	64.0	71.7	11.9
Cottonseed	13.4	13.9	4.1
Sunflowerseed ³	2.8	5.3	86.8
Peanuts	1.5	1.5	0
Flaxseed	0.9	1.1	19.0
Total	82.6	93.5	13.0

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¹ Preliminary. ² June 1 Acreage report. ³ Four States.

after another crop--mainly winter wheat--is harvested. Five percent of the 1978 acreage was double cropped.

Supplies To Tighten

Strong world demand and smaller-than-expected production in a number of countries could reduce September 1 U.S. carryover stocks of soybeans to around 150 million bushels, versus 161 million last year.

In view of the fairly tight carry-over, the effects of weather on the 1979 soybean crop will be particularly crucial. Nonetheless, stocks are expected to be adequate until new-crop beans become available in October.

U.S. soybeans and products will remain in heavy demand well into the 1979/80 marketing year, partly because of a reduced crop in Brazil. Argentina and Brazil are virtually sold out of beans until their new crops come in next spring.

WHAT IT COSTS TO PRODUCE A BUSHEL OF SOYBEANS

	1977	1978 Prelim.	1979 Proj.
Per bushel:			
Variable	\$1.75	\$1.87	\$1.87-2.15
Machinery ownership	.80	.95	1.03-1.19
Overhead	.21	.24	.24- .28
Management	.28	.31	.32- .36
Total	3.04	3.37	3.46-3.98
Land at current value:			
Total costs per bushel	2.55	2.80	3.05
Land at acquisition value			
Total costs per bushel	1.71	1.87	2.04
Yield per acre, bushels			
Average renter costs	30.2	28.9	26.4-30.4
	4.79	5.32	5.83

Production Costs Rising

While the season average price for soybeans during 1979/80 probably will stay near this season's \$7, you'll pay more to produce a bushel of beans in 1979.

The table above shows that production costs may rise about 10 percent this year. Actual costs per bushel, of course, will vary with yields.

A word of caution: the projections do not take into account the latest oil price increases announced by OPEC. Bear that in mind and check your anticipated costs with the U.S. average to see how your operation stacks up against the industry average.

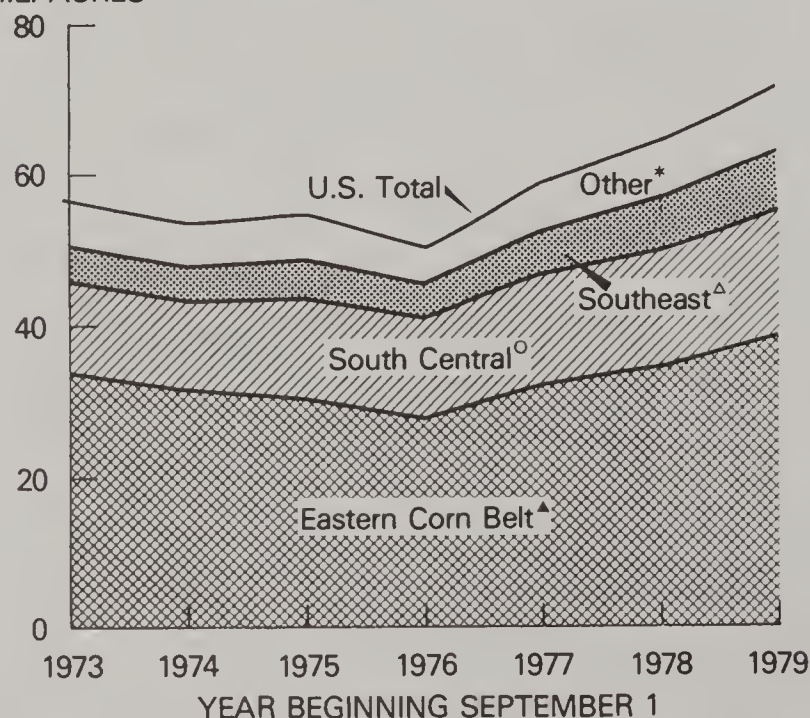
Sunflower Acreage Almost Double

This year, producers seeded nearly twice as many acres in sunflowers as in 1978.

Acres planted in the four top producing States--North and South

SOYBEAN PLANTINGS REACH RECORD HIGH IN 79

MIL. ACRES



* Western Corn Belt States and all other.

△ North Carolina, South Carolina, Georgia and Alabama.

○ Arkansas, Louisiana, Mississippi, Kentucky and Tennessee.

▲ Illinois, Indiana, Iowa, Missouri, Minnesota and Ohio.

1979 Based on April 1 Planting Intentions

Dakota, Minnesota, and Texas--totaled 5.3 million, up from 2.8 million.

Depending on weather and yields, this means a potential sunflowerseed crop of 7 billion pounds, or more, versus 3.9 million in 1978.

Roughly three-fourths of the sunflowerseed crop will go to foreign buyers, even though U.S. crushers will use more next season to meet rising demand here at home for sunflower oil in margarine and cooking oils.

More Acres in Other Oilseeds

The 1979 cottonseed crop should top last year's 4.3 million tons since cotton acreage is up 4 percent to 13.9 million acres.

Increased plantings in the Southwest, Far West, and Southeast have more than offset declines in the Delta States. With increased acreage in the high-yielding areas, cottonseed output may climb more than 4 percent, assuming good weather this summer.

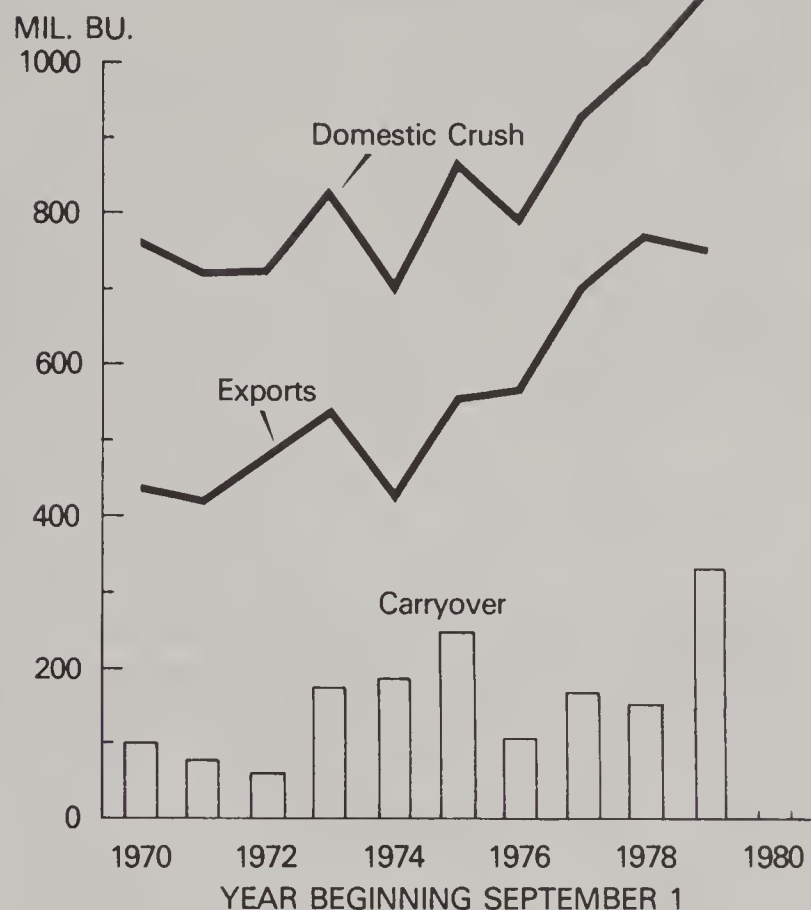
Spurred by strong flaxseed prices, producers seeded 19 percent more acres this year. Total planted acres stand at 1.06 million. Depending on yields, a crop of 9 to 11 million bushels is probable.

WORLD OILSEED PRODUCTION EXPANDS

	1977/78	1978/79	1979/80
	Mil. metric tons		
Soybeans	74.3	80.1	89.0
Cottonseed	26.5	25.0	26.4
Peanuts	17.2	18.0	18.6
Sunflowerseed	12.7	12.4	14.6
Rapeseed	8.0	11.0	11.6
Other ¹	12.9	12.4	14.0
World Total	151.6	158.9	174.2
Soybeans' share (%)	49	50	51

¹ Includes sesameseed, safflowerseed, flaxseed, castor beans, copra, and palm kernels.

SOYBEAN USE CONTINUES RISE *



* Excludes planting seed and soybeans used as feed
79/80 based on Alternative I figures.

Peanut growers, on the other hand, planted about 1.55 million acres, roughly the same as last year. Peanut plantings are under acreage controls and the national allotment has been held to a maximum of 1.6 million acres since 1956.

Peanut production could range from 1.8 to 2.1 million tons this year, compared with 2.0 million in 1978.

Soybean Products in Strong Demand

Stocks of soybean oil--as well as competing corn oil and sunflowerseed oil--are up considerably. But so is demand.

Domestic use is expected to rise 5 percent this year, while exports should also edge higher. Biggest foreign buyers are India, Pakistan, Iran, China, Colombia, and Peru.

Larger supplies of soybean meal are also meeting mounting demand

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this season. Increased numbers of sows farrowing (up 17 percent), broiler production (up 10 percent), and cattle on feed (up 2 percent), all point to heavy demand for high-protein meals this marketing year.

Foreign markets will also take more meal. Major customers: Western Europe, Japan, and Eastern Europe.

World Oilseed Output Rising

The world's oilseed producers are expected to harvest a record crop in 1979/80. Current forecasts point to 174 million metric tons, up 10 percent from this season.

Soybeans will supply about 60 percent of the expected increase, and with a harvest projected at 89 million tons, will account for more than half of the entire oilseed crop.

The United States, Argentina, and Brazil will supply most of next season's increase. While the United States remains the world's biggest soybean producer, its share of the world crop will slip to about 62 percent from 65 percent just 2 years ago.

But while we've slipped in soybeans, we've gained in sunflowerseed. The

United States is now the world's second largest sunflowerseed producer, and 1979/80 output will approach a fourth of the 14.6 million tons expected worldwide.

The USSR is the No. 1 producer, but production has stagnated there in recent years. Next season, U.S. farmers will contribute just about all of the increase in global sunflowerseed output.

U.S. SOYBEAN SHARE DIPS AS SUNFLOWERSEED RISES

	1977/78	1978/79	1979/80
Mil. metric tons			
Soybeans			
United States	48.0	50.2	55.3
China	9.5	10.5	10.5
Brazil	10.0	11.0	13.5
Argentina	2.7	3.8	4.5
Other	4.1	4.6	5.2
World	74.3	80.1	89.0
U.S. share (%)	65	63	62
Sunflowerseed			
United States	1.3	1.8	3.3
USSR	5.9	5.3	5.5
East Europe	1.9	2.0	2.1
Argentina	1.6	1.3	1.5
Other	2.0	2.0	2.2
World	12.7	12.4	14.6
U.S. share (%)	10	15	23